

ERO-6378

STATINTL



X-244

15 SEP 1949

Mr. George J. Schoeneman
Commissioner of Internal Revenue
Washington 25, D. C.

Dear Sir:

Representatives of this Agency recently met with Mr. Thomas C. Atkinson, Assistant to the Commissioner of the Bureau of Internal Revenue, and Mr. Kennedy C. Watkins, Office of the Assistant Secretary of the Treasury, in order to discuss certain matters which are of concern to the Central Intelligence Agency. Also present at that meeting was Mr. James J. Maloney, Chief Coordinator, Treasury Enforcement Agencies. Mr. [redacted] were present representing this Agency. The principal problem discussed was that of enabling certain individuals, who perform services for this Agency, to report compensation received from the Central Intelligence Agency in a secure manner, and to enable the Bureau to make appropriate verification of such amounts received. Mr. Maloney was present since a similar problem had arisen within units under his control.

STATINTL

Various problems which had confronted the Central Intelligence Agency and individuals utilized by us were discussed. It was agreed that we should propose to you the following procedure.

Where an individual, who is utilized by this Agency on a confidential basis, is requested by a representative of the Bureau of Internal Revenue to furnish additional information concerning the source of income, and that income was received from the Central Intelligence Agency, the taxpayer would request the official of the Bureau for additional time in which to secure the requested information. If necessary, other appropriate reasons for delaying the matter would also be used by the taxpayer. Subsequently, the taxpayer would notify the Central Intelligence Agency as to the inquiry, with identifying data, concerning the representative of the Bureau who had questioned him.

Where the amount of the taxpayer's adjusted gross income was \$7,000 or over in the taxable year, the Central Intelligence Agency would confirm the necessary information to the Deputy Commissioner, Income Tax Unit. Where the adjusted gross income of the taxpayer was under \$7,000, the Central Intelligence Agency would notify the Deputy Commissioner, Accounts and Collections Unit. In certain cases where individuals utilized by the Central Intelligence Agency are seeking relief from penalties and can ascribe as the principal reason for delay in filing the fact that they were serving the Agency

000416

in a capacity which prevented the timely filing of their returns, the Deputy Commissioner, Accounts and Collections Unit, would be the point of contact with the Bureau for such cases. Other problems that might arise with respect to these taxpayers would be handled in a similar manner.

Upon notification, the Bureau would take appropriate action. Such action would include advice to the Collector's Office concerned that the income item in question had been verified by the Washington Office and that no further inquiry should be made on the part of the examining officer. In connection with cases involving penalties, action would be taken as deemed appropriate by your office in consultation with representatives of the Central Intelligence Agency.

It is recognized that in attempting to assist the Central Intelligence Agency the Bureau can do so only within the framework of existing laws and regulations and also substantially in accordance with internal procedures of the Bureau. However, I feel that by cooperation in each individual case a solution can be devised. Experience has shown that there will be very few cases which the Central Intelligence Agency must take up with the Bureau in this special manner. I have designated the Office of General Counsel within the Agency to act as liaison with your office on these matters.

I should like to call your attention to Section 7 of the Central Intelligence Agency Act of 1949, Public Law 110, approved 20 June 1949. That Section provides in part as follows:

"In the interests of the security of the foreign intelligence activities of the United States and in order further to implement the proviso of section 102 (d)(3) of the National Security Act of 1947 (Public Law 253, Eightieth Congress, first session) that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure, the Agency shall be exempted from the provisions of sections 1 and 2, chapter 795 of the Act of August 28, 1935 (49 Stat. 958, 957; 5 U.S.C. 654), and the provisions of any other law which require the publication of disclosure of the organization, functions, names, official titles, salaries, or numbers of personnel employed by the Agency."

In view of this responsibility placed on the Director of Central Intelligence by Congress, I feel that adequate measures, such as the above proposals, must be taken to solve the problems discussed in the aforementioned meeting.

If this procedure meets with your approval, it will be appreciated if you will advise this office to that effect.

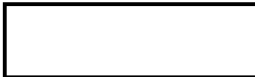
I should like to express my appreciation for the manner in which the representatives of the Bureau of Internal Revenue have considered our problems. They have been completely cooperative and have made many helpful suggestions.

Sincerely yours,

9769

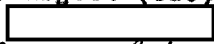
R. M. Hillenkoetter
Rear Admiral, USN
Director of Central Intelligence

STATINTL



cc: Bur of Int Revenue (orig & 1 cc)
Chief, Inspection & Security
Chief, CFB (thru Budget Officer)
Chrono
Central Records
Signing Official
✓ Subject (OGC)

STATINTL

 - 25 May 58
Cross Reference: 632 Income Tax